EDDY MATCH COMPANY, LIMITED ANNUAL REPORT 1973

EDDY MATCH COMPANY, LIMITED

Head Office
Suite 1006, 7 King Street East
Toronto, Ontario M5C 1A2

ANNUAL REPORT 1973

Highlights

	1973	1972	1971
OPERATING SUMMARY			
Net Sales	$32,860,000	$24,904,000	$20,758,000
Depreciation and depletion	1,596,000	1,523,000	1,218,000
Net results:			
Net earnings (loss) from operations	1,267,000	416,000	(563,000)
Extraordinary item	—	—	293,000
Net results for the year	1,267,000	416,000	(270,000)
Dividends paid:			
Preferred shares	56,000	56,000	56,000
FINANCIAL POSITION			
Net current assets	$ 7,174,000	$ 6,253,000	$ 6,035,000
Total assets	30,253,000	26,482,000	23,861,000
Shareholders' equity	14,660,000	13,449,000	13,088,000
PER COMMON SHARE			
Earnings (loss) from operations	$ 4.02	$ 1.20	$ (2.05)
Extraordinary item	—	—	.97
Net results for the year	$ 4.02	$ 1.20	$ (1.08)
CAPITAL EXPENDITURES	$ 2,566,000	$ 2,434,000	$ 2,899,000

The Annual Meeting of Shareholders will be held on April 30, 1974, at 11:00 a.m., E.D.T. in the offices of the Company, tenth floor at 7 King Street East, Toronto, Ontario

Report to the Shareholders

The 1973 earnings of $4.02 per common share, after payment of dividends of $55,500 on the preferred shares, were the second highest in our history, and compare with $1.20 per share recorded in 1972. Consolidated net sales at $32,860,000 were approximately 32% higher than in the previous year and, after eliminating the sales in prior years by Grant Industries, which was closed in 1970, were at the highest level in your Company's history.

Working capital at year-end was $7,174,000, an increase of $921,000 over December 31, 1972. The ratio of current assets to current liabilities was 2.0 to 1. Fixed assets at net book value amounted to $15,203,000, including new additions during the year of $2,566,000, approximately one-half of which were at Kootenay Forest Products in Nelson, British Columbia.

Shareholders

At December 31, 1973 the Company had 526 common shareholders.

The distribution was as follows:

Country of Residence	Number of Shareholders	Number of Common Shares Held
Canada	510	103,427
United Kingdom	6	197,165
United States	7	251
Other	3	110
	526	300,953

The British Match Corporation Limited, through its wholly-owned subsidiary, Bryant & May (Holdings) Ltd., continues to own 196,890 common shares and all of the preferred shares.

Match Division

In spite of a sales increase of 9%, the earnings by the Match Division decreased about 10%. Considerable price increases in raw materials, especially paper products, which commenced about the second quarter and continued throughout the balance of the year, were the chief factors responsible for the drop in earnings. Earnings were also affected by a strike of the employees at the Pembroke match plant in the early part of the year.

During the fourth quarter we initiated increases in our selling prices, the full effects of which will be felt in 1974. Shortages of critical supplies, such as animal glue which is especially prepared to our specifications, became more frequent as the year progressed, forcing us to purchase a number of these items, for the first time, from non-Canadian suppliers.

Our sales of book matches increased 10%. The demand for our high quality advertising book matches was exceptionally strong.

Matches are subject to the 12% Federal Sales Tax, plus an additional 10% Excise Tax. We have appealed to the Department of National Revenue to withdraw the latter Tax, as matches are one of the few products to still carry an Excise Tax.

Eddy Industrial Products

While about half of this division's sales are outside of the Company, it is considered as a supplementary operation to the other divisions. Eddy Industrial Products builds custom machinery, including match machinery, and makes tools and dies.

Steel Equipment

Both sales and profits increased sharply, enabling Steel Equipment, which is one of Canada's leading suppliers of steel office furniture, to establish new records. The furniture market was strong and the demand for our products strengthened throughout the year to the point where our backlog was far in excess of what has been an acceptable level during past years. Exports to the United States increased at a very acceptable rate.

Stor/Wal continues to gain in popularity, both in Canada and the United States, earning a reputation for its extremely high quality.

The Pembroke plant was at near capacity levels most of the year, forcing the postponement of the introduction of a further line of filing cabinets, which was mentioned in last year's Annual Report.

Ideal Venders

This division, in spite of a modest increase in sales, suffered a small operating loss during 1973.

During the early months of the year, when we normally build inventory to accommodate the heavy demand during the warm weather months, output declined drastically while negotiations proceeded to establish our first union contract. The employees in the Deseronto factory are now represented by the United Steelworkers of America. During this negotiation period, production costs were excessive. Later, because of the low inventory of machines, we suffered a very substantial loss of sales, as our customers were forced to purchase their requirements from our competitors.

Large wage and material cost increases, coupled with shortages of some critical supplies, resulted in heavy extra costs, which were not offset by price increases.

Every effort is being maintained to turn the division into a worthwhile contributor to corporate profits. We have added to the production facilities and currently the groundwork is being done in the United States to attempt to increase our sales in this large market.

Kootenay Forest Products

While the operating results in 1973 showed a sharp improvement, the profit did not offset the aggregate loss of the three preceding years.

A large proportion of the increase in operating profit arose from the higher selling prices for both lumber and plywood. We also sold a higher volume of both of these commodities than in 1972. The combination of better prices and larger volumes in this division was the major factor in the increase of our consolidated net sales.

About mid-year we witnessed the beginning of a downward trend in selling prices, especially for lumber, and profits decreased accordingly.

By the middle of March, 1973, we had completed negotiations to sell this operation to Crestbrook Forest Industries of Cranbrook, British Columbia, subject to the necessary approval by the Government of British Columbia. The anticipated closing date for the sale was to be June 30, 1973. However, it was not until October 30, 1973 that we were informed by the British Columbia Government that they would not grant the required approval for the transfer of timber cutting rights.

Subsequently, further discussions took place with other potential buyers and finally, in January, 1974 we negotiated the sale of the division to the British Columbia Cellulose Company, a Crown Corporation of the Province of British Columbia, with the closing date of February 28, 1974.

While the final settlement date is not until mid-April, we expect to receive approximately $14,500,000. These proceeds, after taking into consideration the related Income Tax credits, should approximate the net book value of our investment in the Kootenay operations. We expect to be in a position to include a final report on this sale in our mid-year Report to Shareholders.

The Board of Directors

The Honourable E. D. Fulton, P.C., Q.C., who was first elected a Director in June, 1969, tendered his resignation shortly before the end of 1973. Mr. Fulton has subsequently been appointed to the Supreme Court of the Province of British Columbia. This resignation was accepted with much regret, and we wish to acknowledge our appreciation for his most valuable contributions to your Company.

Mr. Gilbert Parr of London, England a senior executive of Bryant & May (Holdings) Ltd., was elected a Director in August, 1973. Mr. Parr has had a close alliance, not only with the match business, but also with several other major enterprises of the Bryant & May group in both the United Kingdom and Brazil.

The Outlook for 1974

The outlook for the sales of our major product lines appears favourable for the year 1974. During the first two months of the year, the demand for matches and office furniture was good. However, very competitive market conditions exist in some parts of the country for vending machines.

Late last year, the British Match Corporation Limited, parent company of Bryant & May (Holdings) Ltd., London, England, merged with Wilkinson Sword Limited, known world-wide for its high quality shaving products, garden tools and its Graviner fire protection operations. A restructuring of the merged group is in progress and we expect that Eddy Match Company, Limited will obtain benefits resulting from its participation as an important entity within the world-wide group.

Appreciation

We gratefully acknowledge the confidence of our customers, the interest and support of our shareholders, and the loyalty and co-operation of our employees during the past year.

On behalf of the Board of Directors

President and Chief Executive Officer

Auditors' Report

To the Shareholders of
Eddy Match Company, Limited:

We have examined the consolidated balance sheet of Eddy Match Company, Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 1, 1974

Clarkson, Gordon & Co.
Chartered Accountants

Earnings

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1973
(with comparative figures for the year 1972)

	1973	1972
NET SALES:		
Forest products	**$16,909,165**	$11,249,270
Metal products	**9,750,858**	8,024,616
Matches	**6,199,722**	5,629,895
	32,859,745	24,903,781
Cost of sales	**25,951,734**	19,877,565
Gross earnings	**6,908,011**	5,026,216
Deduct (add):		
Marketing and distribution expenses	**2,446,344**	2,119,809
General and administrative expenses (note 4)	**1,580,523**	1,392,610
Bank interest (net of interest income)	**170,097**	53,033
Debenture interest (including amortization of discount and expenses)	**453,559**	472,158
Net (gain) loss on disposal of fixed assets	**(50,749)**	106,073
Gain on purchase of debentures for cancellation	**(42,277)**	(40,966)
	4,557,497	4,102,717
Earnings before provision for income taxes	**2,350,514**	923,499
Income taxes provided	**1,084,000**	507,000
Net earnings for the year	**$ 1,266,514**	$ 416,499
Net earnings per common share	**$4.02**	$1.20
Costs and expenses include the following:		
Depreciation (note 2)	**$1,516,526**	$ 1,502,677
Depletion	**79,025**	20,132
	$ 1,595,551	$ 1,522,809

(See accompanying notes to Consolidated Financial Statements)

Retained Earnings

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1973
(with comparative figures for the year 1972)

	1973	1972
Balance, beginning of year	**$ 5,209,444**	$ 4,647,556
Net earnings for the year	**1,266,514**	416,499
Transfer from excess of appraised value of fixed assets over depreciated cost, representing amounts realized through depreciation and disposals (note 2)	**228,843**	200,889
	6,704,801	5,264,944
Dividends paid on preferred shares	**55,500**	55,500
Balance, end of year	**$ 6,649,301**	$ 5,209,444

(See accompanying notes to Consolidated Financial Statements)

Balance Sheet

EDDY MATCH COMPANY, LIMITED
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

ASSETS

		1973	1972
CURRENT:			
Cash		**$ 31,871**	$ 15,309
Accounts receivable—			
Trade less allowance for doubtful accounts (1973—$174,533; 1972—$133,118)		**4,267,074**	3,499,609
Other		**517,377**	692,003
Inventories of materials, work-in-process and finished goods valued at the lower of cost or net realizable value		**9,608,605**	7,119,703
Prepaid expenses		**125,491**	146,736
Total current assets		**14,550,418**	11,473,360
FIXED:			
Land, plant and equipment (note 2)	20,123,401		
Less accumulated depreciation	5,756,442	**14,366,959**	13,825,918
Timberlands and cutting rights (note 2)	1,039,327		
Less accumulated depletion	203,033	**836,294**	915,319
Total fixed assets		**15,203,253**	14,741,237
OTHER:			
New product development costs (including patents of $154,585)		**289,233**	
Debenture discount and expense less amortization		**139,953**	163,692
Timber sale deposits		**70,328**	103,228
		499,514	266,920
		$30,253,185	$26,481,517

(See accompanying notes to Consolidated Financial Statements)

EDDY MATCH COMPANY, LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1973

Notes

1. Sale of Kootenay Forest Products

Since the end of the fiscal year, the company sold its Kootenay Forest Products assets and operations to British Columbia Cellulose Company, a Crown Corporation of the Province of British Columbia.

Under the agreement the price, payable in cash, is $9,000,000, which was received on February 28, 1974, plus the net working capital at February 28, 1974 and net fixed asset additions from January 1, 1974 to that date. It is expected that the proceeds will approximate the book value (net of related tax credits) of the Kootenay Forest Products operations. The accompanying financial statements do not reflect this disposal. During 1973 the forest products operations contributed approximately $17,000,000 to net sales and $650,000 to net earnings after allocation of head office charges, interest and income taxes.

2. Fixed Assets

As of January 1, 1969, substantially all land, plant and equipment were restated in the accounts at depreciated replacement cost on the basis of appraisals made by Cooper Appraisals Limited in late 1968 and early 1969. Timberlands and certain minor equipment items

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
CURRENT:		
Bank indebtedness	$ 4,058,189	$ 2,559,535
Accounts payable and accrued charges	2,755,905	2,505,321
Income and other taxes payable	526,173	117,935
Debenture interest payable	35,883	37,507
Total current liabilities	7,376,150	5,220,298
Deferred income taxes	1,732,424	1,018,622
6½% Sinking Fund Debenture Series A maturing 1975—1986 (note 3)	6,485,000	6,794,000
SHAREHOLDERS' EQUITY:		
Capital—		
6% cumulative redeemable preferred shares of $100 par value, entitled on voluntary liquidation or on redemption to $125 per share: Authorized and issued—9,250 shares	925,000	925,000
Common shares without nominal or par value: Authorized—500,000 shares Issued —300,953 shares	5,453,788	5,453,788
	6,378,788	6,378,788
Excess of appraised value of fixed assets over depreciated cost (note 2)	1,631,522	1,860,365
Retained earnings (note 3)	6,649,301	5,209,444
	14,659,611	13,448,597
	$30,253,185	$26,481,517

On behalf of the Board

Director

Director

were restated at their December 31, 1968 carrying values net of depreciation or depletion accumulated to that date. Subsequent additions are stated at cost.

3. 6½% Sinking Fund Debentures Series A

The debentures are secured by a floating charge on the company's assets. Sinking fund requirements during the next five years, after application thereto of debentures purchased for cancellation, are as follows:
1974-Nil; 1975-$335,000; 1976-$375,000; 1977-$525,000; 1978-$525,000.

The trust indenture relating to the debentures contains certain restrictions on the payment of dividends. As a result of these restrictions approximately $6,050,000 of the retained earnings at December 31, 1973 are not available for the payment of dividends on common shares.

4. Remuneration of Directors and Officers

During 1973, the aggregate remuneration of the company's twelve directors as directors was $41,150 and of the company's six officers as officers was $202,384. Three of the directors were also officers.

Source and Use of Funds

EDDY MATCH COMPANY, LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1973
(with comparative figures for the year 1972)

	1973	1972
SOURCE OF FUNDS:		
Net earnings for the year	**$ 1,266,514**	$ 416,499
Add (deduct)—		
Depreciation and depletion	**1,595,551**	1,522,809
Amortization of debenture discount and expense	**23,739**	26,281
Deferred income taxes	**713,802**	507,000
(Gains) losses on disposal of fixed assets	**(50,749)**	106,073
Total funds provided by operations	**3,548,857**	2,578,662
Proceeds on disposal of fixed assets	**558,834**	422,120
Decrease in timber sale deposits	**32,900**	26,687
	4,140,591	3,027,469
USE OF FUNDS:		
Expenditure on fixed assets	**2,565,652**	2,434,074
Debentures purchased for cancellation	**309,000**	320,000
New product development costs	**289,233**	
Dividends paid	**55,500**	55,500
	3,219,385	2,809,574
Increase in working capital	**$ 921,206**	$ 217,895
Working capital, end of year:		
Current assets	**$14,550,418**	$11,473,360
Current liabilities	**7,376,150**	5,220,298
	7,174,268	6,253,062
Working capital, beginning of year:		
Current assets	**11,473,360**	9,183,110
Current liabilities	**5,220,298**	3,147,943
	6,253,062	6,035,167
Increase in working capital	**$ 921,206**	$ 217,895

(See accompanying notes to Consolidated Financial Statements)

Financial Review

The consolidated financial statements include the results of operations for 1973 and the financial position of Eddy Match Company, Limited and its subsidiaries, all of which are wholly-owned. The operations are carried on by divisions of the Company, but certain of the assets are owned by subsidiary companies.

ASSETS and LIABILITIES

The working capital at December 31, for each of the years 1973 and 1972 is compared below:

	1973	1972
CURRENT ASSETS:		
Cash	$ 32,000	$ 15,000
Trade and miscellaneous accounts receivable (net)	4,784,000	4,191,000
Inventories	9,609,000	7,120,000
Prepaid expenses	125,000	147,000
	14,550,000	11,473,000
LESS CURRENT LIABILITIES:		
Bank indebtedness	4,058,000	2,560,000
Other	3,318,000	2,660,000
	7,376,000	5,220,000
Working Capital	$ 7,174,000	$ 6,253,000
Ratio of current assets to current liabilities	2.0 to 1	2.2 to 1
Net increase in working capital	$ 921,000	$ 218,000

The accounts receivable trade were owing on sales made under normal credit terms. Adequate provision has been made for those accounts of a doubtful nature. Other accounts receivable consist mainly of government grants, insurance claims, and proceeds of asset disposals.

Inventories at December 31 were valued at the lower of cost or net realizable value and consisted of the following:

	1973	1972
Raw material	$ 6,087,000	$ 4,531,000
Work-in-process	1,850,000	1,226,000
Finished goods and stock in trade	1,672,000	1,363,000
	$ 9,609,000	$ 7,120,000

The major portion of the increase in raw materials inventory is represented by logs. As a result of increased costs and improved markets, inventories are up at all divisions.

Land, plant and equipment, as shown on the Balance Sheet, consisted of the following:

	Gross Value	Accumulated Depreciation	Net Book Value
Land and roadways	$ 4,361,000	$ 2,034,000	$ 2,327,000
Buildings and leaseholds	5,630,000	1,044,000	4,586,000
Machinery and equipment	10,007,000	2,678,000	7,329,000
Tooling	125,000	—	125,000
	$20,123,000	$ 5,756,000	$14,367,000

The Company follows a policy of having its plant and equipment revalued every ten years. As a result, the land, buildings and equipment were valued at depreciated replacement cost as determined by Cooper Appraisals Limited as of January 1, 1969. Subsequent additions are at cost. Concurrent with the recording of the appraisal, timberlands were restated at their net book value. The appraisal increase from the above revaluation has been credited to a separate account in the Shareholders' Equity section of the Balance Sheet. Depreciation charges have been based on the appraised asset values, where applicable, and amounts equal to the resulting increase in depreciation have been transferred from the account "Excess of Appraised Value of Fixed Assets over Depreciated Cost" to "Retained Earnings". A similar transfer has been made on asset disposals for any appraisal increase that had not been depreciated. The net result of the 1969 appraisal was an increase in the fixed asset values of $2,647,000. Of this amount, $1,122,000 has been transferred to Retained Earnings, including $229,000 in 1973, in accordance with the above policy.

The expenditures on fixed assets, which totalled $2,566,000 during the year, included the following significant items:

Expansion of vending machine production facilities	$600,000
Logging road construction	625,000
Logging equipment and facilities	425,000

Depreciation is provided on fixed assets (other than land and roads) at rates designed to write off such assets on the 'straight line' method over their remaining useful lives. Timberlands, cutting rights and roads are amortized at rates based on the volume of logs produced.

Tooling costs are charged to expense over the lesser of two years, or the life of the project.

On June 1, 1966 the Company issued $7,500,000 of 6½% Sinking Fund Debentures Series A, which mature on June 1, 1986. The Company has adopted a policy of purchasing these debentures on the open market when they are available at a favourable price. Debentures so purchased are cancelled and will be applied

against the required sinking fund payments. The annual sinking fund requirements, net of cancellations, are as follows:

1974	Nil
1975	$335,000
1976	375,000
1977 to 1980, both inclusive	525,000
1981 to 1985, both inclusive	600,000

The Company has purchased a total of $1,015,000 of debentures for cancellation, of which $309,000 were acquired in 1973. These debentures have been applied against past and future sinking fund payments.

The debenture interest for 1973 was $432,511. This amount was covered approximately ten times by earnings before depreciation, depletion, amortization, debenture interest, gain on disposal of fixed assets and income taxes.

Earnings

As a result of the revaluation of fixed assets up to depreciated replacement cost, the 1973 profit was decreased by additional depreciation amounting to $169,000 without any income tax relief because depreciation on appraisal increases is not a deductible expense for income tax purposes. As a result, the effective rate of tax is higher than would normally be the case.

Commencing in January, 1972, as reported in last year's Annual Report and in our interim statements, we adopted a policy of writing off abnormal logging costs on a month-to-month basis. As the majority of the logs produced during the year are not processed until the following year, and because of the volatile nature of lumber prices, the value attributable to the log inventory is reviewed at the year-end, when selling prices during the period of consumption of the logs can be more accurately forecast. As a result, the log inventory was written up by $57,000 at December 31, 1973 to value the logs at their estimated net realizable value, which is lower than cost. At December 31, 1972 the log inventory was written up $391,000 to value the logs at actual cost, which was lower than net realizable value.

The gain on disposal of fixed assets is largely due to the insurance proceeds received as a result of the destruction, by fire, of the lumber stacker at Kootenay Forest Products. Your Company follows a policy of insuring the majority of its assets at replacement values. The proceeds have been reinvested in a new stacker.

The increase in bank interest charges reflects the higher average level of bank borrowings during the year, and the higher prime lending rate in force during the period.

The Company follows the deferred method of accounting for income taxes. Under this method, income taxes charged against income are computed with reference to depreciation recorded on asset costs, rather than to allowances claimed for income tax purposes. The tax effect of the resulting difference is shown as deferred income taxes in the statements.

Sale of Kootenay Forest Products

As stated in the Report to the Shareholders, and in Note 1 to the Financial Statements, your Company has negotiated the sale of its Kootenay Forest Products operations to British Columbia Cellulose Company, a Crown Corporation of the Province of British Columbia. As provided in the Agreement, your Company received $9,000,000 on the closing date, which was February 28, 1974. Approximately $4,000,000 was used to pay off the bank loan, and the balance was invested in short term securities. On approximately April 15, 1974 we expect to receive an additional payment which will be for the net working capital at February 28, 1974 and net fixed asset additions from January 1 to February 28, 1974. The total proceeds will approximate $14,500,000 and, after taking into account the related tax credits, should about equal the book value of the Kootenay Forest Products operations. The majority of the bank loans which were eliminated had been incurred to finance the Kootenay operations.

During 1973 the forest products operation contributed approximately one-half of the net sales and employed approximately one-half of the Company's assets.

Ten Year

(all dollars in thousands, except per share statistics)

Sales and Earnings
Net sales. . . . .
Depreciation and depletion . . . .
Taxes on income from operations . .
Net earnings (loss) from operations
Extraordinary items (net of tax) . . . .
Net results for the year. . . . .
Per common share. . . . .
Earnings (loss) from operations
Extraordinary items . . . .
Net results for the year. . . . . . .
Dividend Record
On preferred shares. . . . .
On common shares. . . . .
Paid per common share. . . . .
As a percent of common share earnings. . . . .
Stock Market Price Range -
Common shares . . . .
Financial Position
Current assets . . . .
Current liabilities. . . . .
Working capital. . . . .
Ratio of current assets to current liabilities . . . . . .
Capital assets at net book value. . . .
Funded debt . . . .
Capital employed—December 31 . . .
Earnings as a percent of capit employed—January 1 . . .
Equity of Shareholders
Equity of preferred shareholders . . .
Equity of common shareholders. . . .
Equity per common share . . . .
Common share earnings as a percent of common share equity—January 1 . . . . . .
Capital Expenditures (net) . . . .

*Data includes operations of Grant Industries to December 31, 1970.

Summary

1973	1972	1971*	1970	1969	1968	1967	1966	1965	1964
$32,860	$24,904	$20,758	$37,314	$40,852	$34,877	$33,321	$31,512	$28,322	$27,200
1,596	1,523	1,218	1,424	1,342	974	918	767	845	785
1,084	507	(336)	(596)	669	777	738	1,273	1,193	1,290
1,267	416	(563)	(892)	405	654	641	1,147	1,045	1,230
—	—	293	(1,244)	—	54	—	—	—	—
1,267	416	(270)	(2,136)	405	708	641	1,147	1,045	1,230
4.02	1.20	(2.05)	(3.15)	1.16	1.99	1.94	3.63	3.29	3.90
—	—	.97	(4.13)	—	.18	—	—	—	—
4.02	1.20	(1.08)	(7.28)	1.16	2.17	1.94	3.63	3.29	3.90
56	56	56	56	56	56	56	56	56	56
NIL	NIL	NIL	NIL	301	NIL	602	602	602	602
NIL	NIL	NIL	NIL	1.00	NIL	2.00	2.00	2.00	2.00
N/A	N/A	N/A	N/A	86	N/A	103	55	61	51
26½-11	15¾-10½	14½-10	21-11	40½-20½	30½-16	37½-26	39-31	48-36½	49½-39¾
14,550	11,473	9,183	12,509	14,442	14,521	13,286	14,091	10,809	9,189
7,376	5,220	3,148	5,481	5,536	4,501	3,825	3,906	6,484	5,147
7,174	6,253	6,035	7,028	8,906	10,020	9,461	10,185	4,325	4,042
2.0	2.2	2.9	2.3	2.6	3.2	3.5	3.6	1.7	1.8
15,203	14,741	14,358	12,699	15,207	11,067	10,860	9,885	7,701	7,522
6,485	6,794	7,114	7,376	7,500	7,500	7,500	7,500	—	—
22,877	21,261	20,713	21,370	24,501	21,776	21,162	20,741	12,194	11,696
6.0	2.0	N/A	N/A	1.7	3.3	3.1	9.4	8.9	11.1
1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156
13,504	12,293	11,931	12,257	14,449	11,753	11,101	11,118	10,628	10,241
44.87	40.85	39.65	40.73	48.01	39.05	36.89	36.94	35.31	34.03
9.8	3.0	N/A	N/A	2.4	5.9	5.3	10.3	9.7	12.1
2,058	1,906	1,589	204	2,691	1,190	1,939	2,987	1,011	1,072

Plants, Products and Offices

Eddy Industrial Products

Custom machinery, tools and dies	Administrative office and plant	Pembroke, Ont.

Eddy Match

Wood and book matches	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Toronto, Ont. Vancouver, B.C.

Steel Equipment

Office furniture	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Ottawa, Ont. Toronto, Ont.

Ideal Venders

Vending machines and coolers	Administrative office and plant	Deseronto, Ont.
	Sales offices	Montreal, Que. Toronto, Ont. Buffalo, N.Y.

Kootenay Forest Products*

Softwood plywoods, lumber and wood products	Administrative office and mills	Nelson, B.C.

*Kootenay Forest Products was sold to British Columbia Cellulose Company, on February 28, 1974.

Officers

J. Douglas GIBSON
Chairman of the Board

J. A. LAWRASON
President & Chief Executive Officer

J. C. BENNETT
Vice-President, Eastern Divisions

R. S. KAVANAGH
Vice-President and Treasurer

F. W. SMITH
Secretary

Debenture Trustee
Montreal Trust Company
Toronto, Ontario

Auditors
Clarkson, Gordon & Co.
Toronto, Ontario

Stock Exchanges
Montreal Stock Exchange
Toronto Stock Exchange

Transfer Agents and Registrar
Montreal Trust Company
Montreal, Toronto, Regina,
Calgary and Vancouver

Directors

D. S. ANDERSON
Chairman, Metro Centre Developments, Limited, Toronto, Ontario

J. N. COLE
Vice-Chairman, Wood Gundy Limited, Montreal, Quebec

L. M. CRANDALL
Chairman, Canadian Splint & Lumber Corporation, Limited, Pembroke, Ontario

Hon. E. D. FULTON, P.C., Q.C.
Partner, Fulton, Cumming, Richards, Underhill, Fraser, Skillings, Barristers and Solicitors, Vancouver British Columbia (Resigned December 21, 1973 and subsequently appointed to the Supreme Court of the Province of British Columbia).

J. Douglas GIBSON
Financial and Economic Consultant, Toronto, Ontario

J. Claude HEBERT
President, Warnock Hersey International Limited, Montreal, Quebec

J. A. LAWRASON
President and Chief Executive Officer, Eddy Match Company, Limited, Toronto, Ontario

John C. PARKIN, CC
Partner, Parkin Architects, Planners, Toronto, Ontario

G. J. T. PARR
Director, Bryant & May (Holdings) Ltd., London, England

G. RAE SMITH
Chairman, Bryant & May (Holdings) Ltd., London, England

Six Months

Report to Shareholders

for the period ended June 30, 1973

EDDY MATCH
COMPANY,
LIMITED

EDDY MATCH COMPANY, LIMITED

Six Months Report to Shareholders:

The second quarter after-tax profit was $688,000, equal to $2.24 per common share. This was an unusually high profit and is a reflection of near capacity production and favourable selling prices in several of our divisions. During the first half year consolidated net sales increased by 42% to $17,289,000. After-tax profit was $1,086,000, equal to $3.52 per common share, compared to a loss of $66,000, or $0.31 per common share in the first six months of 1972.

Income taxes have been computed at the lower rate for manufacturing and processing profits as recently approved by Parliament. This lower rate was not used at the end of the first quarter as it was not then law. Had this reduced rate been applied at March 31, 1973 the profit for the first quarter would have been increased over that reported by $78,000 or $0.26 per common share. This amount is reflected in the second quarter results.

The first half profits in the Match Division decreased quite significantly, however, all the decrease occurred in the first quarter when operations were curtailed by a three week labour strike. At Eddy Industrial Products and Ideal Venders results paralleled a year ago. The largest contribution to the improved earnings was made by Kootenay Forest Products where very good market prices combined with a favourable specie mix and larger volumes of both lumber and plywood to produce very good results. Steel Equipment, our office furniture division, has also shown a good improvement.

With many indications that lumber and plywood prices have not only peaked but at the moment are in decline, we expect second half earnings to be considerably below the first half. The proposed sale of Kootenay Forest Products to Crestbrook Forest Industries has been postponed as we have not had a decision from the B.C. Government regarding the transfer of timber quota, one of the conditions on which the transaction depends.

Toronto, Ontario
July 27, 1973

J. A. Lawrason
President

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for 1972)

(thousands of dollars, except for share data)

	1973		1972	
	Second Quarter	Six Months	Second Quarter	Six Months
Sales	$ 9,497	$ 17,289	$ 6,696	$ 12,251
Cost of Sales	7,265	13,157	5,499	10,347
	$ 2,232	$ 4,132	$ 1,197	$ 1,904
Deduct:				
Marketing, general and administrative expenses	$ 998	$ 1,893	$ 926	$ 1,726
Interest expense (net)	140	278	130	247
	$ 1,138	$ 2,171	$ 1,056	$ 1,973
Earnings (loss) before provision for income taxes	$ 1,094	$ 1,961	$ 141	$ (69)
Income tax provision (credit)	406	875	71	(3)
Net earnings (loss) for the period	$ 688	$ 1,086	$ 70	$ (66)
Depreciation and depletion included in the above	$ 348	$ 692	$ 296	$ 611
Number of common shares outstanding	300,953	300,953	300,953	300,953
Earnings (loss) per common share (after provision for dividends on preferred shares)	$ 2.24	$ 3.52	$ .19	$ (.31)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for 1972)

(thousands of dollars)

Source of Funds	1973	1972
Net earnings (loss) for the period	$ 1,086	$ (66)
Add back charges against earnings which did not involve a current outlay of funds	693	694
	1,779	628
Proceeds on the sale of fixed assets	131	25
Total	$ 1,910	$ 653
Use of Funds		
Expenditures on fixed assets	$ 1,042	$ 1,009
Purchase and cancellation of Series 'A' Debenture	147	222
Increase (decrease) in other assets	107	(12)
Dividends paid on preferred shares	28	28
Total	$ 1,324	$ 1,247
Increase (decrease) in working capital	$ 586	$ (594)

The above figures are unaudited, are subject to year-end adjustments and do not reflect the expected book loss on the possible sale of the Kootenay Forest Products Division, as the amount cannot be determined at this time.